

# ADVANCE INTERNATIONAL FIXED INTEREST MULTI-BLEND FUND

As at 31 August 2022

## FUND OVERVIEW

	Wholesale	Retail
Inception date	28 February 2001	31 July 2004
APIR	ADV0067AU	ADV0088AU
Fund size (AUD millions)	\$1,783.68	
Investment objective	To provide a source of income from international fixed interest exposure with a total investment return (before fees and taxes) that outperforms the benchmark over periods of three years or longer.	
Recommended investment timeframe	3 years	
Minimum initial investment	\$5,000	Closed to new investors
Distribution frequency	Quarterly	
Management costs (%) pa <sup>1</sup>	0.55	1.30
Buy/sell spread (%)	0.10 / 0.10	0.00 / 0.00

## FUND PERFORMANCE<sup>2</sup>

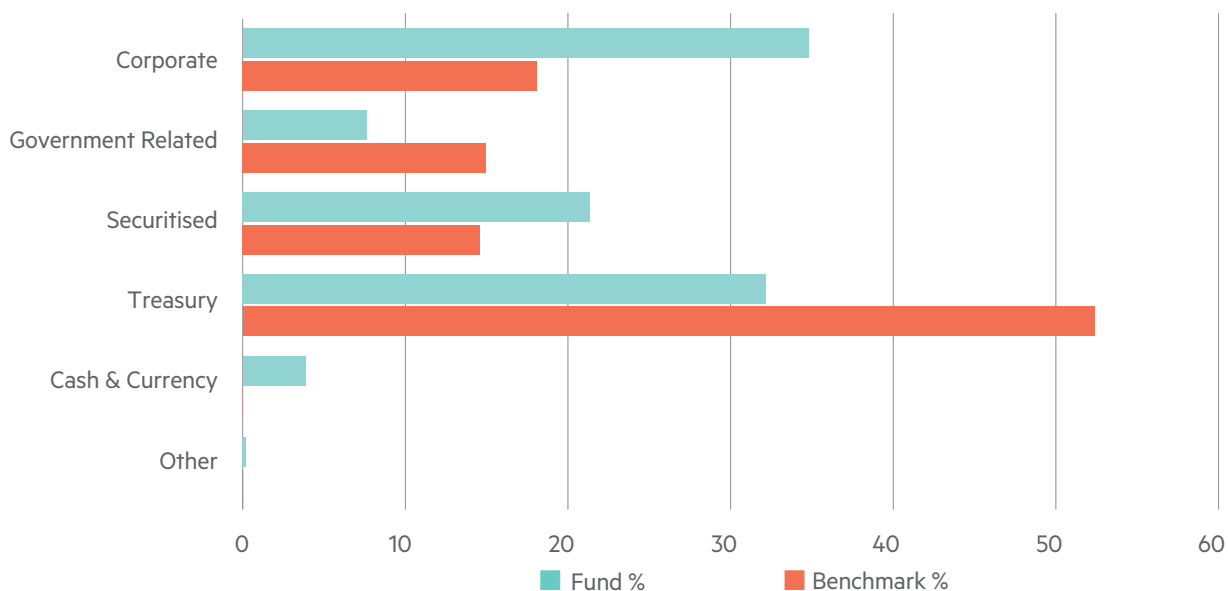
	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since Inception % pa
Total Net return	(2.64)	(2.16)	(10.59)	(2.35)	0.43	5.63
Growth return	(2.64)	(2.16)	(10.59)	(6.42)	(3.15)	(0.46)
Distribution return	0.00	0.00	0.00	4.06	3.58	6.09
Benchmark return <sup>~</sup>	(2.72)	(1.93)	(10.53)	(2.66)	0.46	5.70

<sup>~</sup> Benchmark: Barclays Global Aggregate Bond Index (fully hedged) in Australian dollars

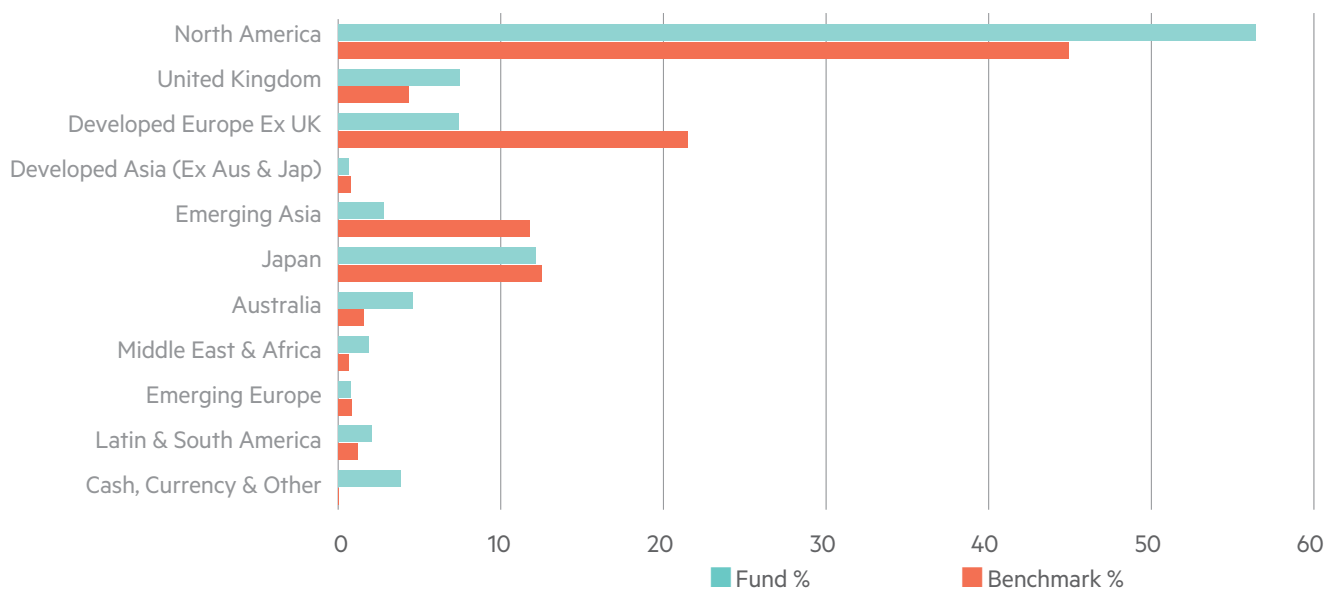
## TOP 5 ISSUERS

	Fund (%)	Benchmark (%)
Government of Japan	12.98	11.42
Government of the United States of America	12.37	16.96
Federal National Mortgage Association	7.04	0.14
Government of Germany	3.08	2.12
Federal Home Loan Mortgage Corporation	2.57	0.14

### SECTOR ALLOCATIONS<sup>3,4</sup>



### REGIONAL ALLOCATIONS<sup>3,4</sup>



### CREDIT QUALITY<sup>3,4,5</sup>

	Fund (%)	Benchmark (%)
AAA	37.47	39.29
AA	9.00	14.01
A	25.81	30.42
BBB	18.11	15.90
Sub Investment Grade	3.93	0.33
Not Rated	1.81	0.05
Cash & Derivatives	3.87	0.00

## FUND CHARACTERISTICS<sup>6</sup>

	Portfolio	Benchmark
Effective Duration (Contribution)	6.67	6.86
Years to Maturity (Years)	12.74	10.65
Effective Yield (%)	4.36	3.44

## FUND UPDATE

The Fund outperformed the benchmark during the month of August.

Relative manager performance was mixed over the month with PIMCO, Standish and Wellington outperforming the benchmark, whilst WAM detracted at the margin.

Standish outperformed the benchmark, with a majority of the alpha attributed to positioning in developed market rates, e.g. underweights in US, European, Canadian and UK duration. Positioning in spread sectors was a modest negative in aggregate.

PIMCO also delivered a positive excess return with the contributors being underweight US and UK durations as yields rose and overweight exposure to securitized credit.

Wellington performed in line with the benchmark, with its duration and country strategies being the primary contributors, while currency and yield curve strategies were negative.

Western underperformed the benchmark over the month. While a flatter US yield curve and an underweight to core European duration added to returns, an overweight to local Mexican and Polish government bonds detracted.

August was another volatile month with increased market expectations for more rate hikes over the remainder of this year, coupled with diminishing expectations for rate cuts in 2023. Slowing growth, an intensifying energy crisis, and steadfast hawkish remarks from major central banks to combat unyielding inflation elicited a sharp increase in sovereign yields, weighing on fixed income markets.

Most global sovereign yields rose sharply, particularly in Europe, on higher-than-expected inflation and continuing hawkish narrative from major central banks. The Bank of England (BoE) hiked the Bank Rate by 50 bps to 1.75%, the largest hike since 1995. UK inflation data released subsequently exceeded expectations at 0.6% in July and seeing the annual inflation rate at 10.1%.

The European Central Bank (ECB) also hit the headlines late in the month with reports emerging that some members of the Governing Council want to discuss a 75 bps point increase at their September meeting. Attending the Jackson Hole summit, two members of the Governing Council also warned that a larger sacrifice will be needed to tame inflation and that price growth risks spinning out of control. Energy prices continued to surge in Europe and inflation increased further, reaching 9.1% in its initial reading for August up from 8.9% in July.

In the US, strong labour market data and hawkish rhetoric from several Federal Open Market Committee (FOMC) members added additional upward pressure on US Treasury yields. In Federal Reserve (Fed) Chair Jerome Powell's speech at the Jackson Hole symposium, he reiterated that US policymakers "must keep at it until the job is done," implying that interest rate increases will continue, adding that successfully controlling inflation is likely to restrain economic growth "for some time." Inflation did decline in July at the headline level, falling back more than had been expected, to 8.5%, from 9.1%, while the core rate remained steady at 5.9%. The yield curve inverted further as short rates raced higher in anticipation of additional central bank tightening, with the U.S. 2-Year yield up 61 bps to 3.5%, while the U.S. 10-Year yield rose by 54 bps to 3.2%.

It was a volatile month for spread sectors. The risk appetite remained fragile because of the macroeconomic uncertainty and the instability in government bond markets. Global credit bonds slightly outperformed duration-equivalent government bonds as US spreads tightened modestly. In the securitized sectors, the risk-on rally in the early parts of the month helped propel non-agency CMBS and ABS to positive excess returns, with yield spreads across both legacy and non-agency MBS also tightening throughout August. Agency MBS and CMBS, however, fared worse amid the rising rates and hawkish rhetoric in the latter half of the month as both trailed duration-matched Treasuries.

The Bloomberg Barclays Global Aggregate Bond Index returned a negative -2.72% over the month, bringing the one-year performance to -10.53%.

- 1 The Management Costs included in this fact sheet are inclusive of the Management Fee and any Performance Fees and includes the effect of GST (net of RITC). They do not include other indirect costs. Refer to the Product Disclosure Statement and online disclosures for further information.
- 2 Past performance is not a reliable indicator of future performance. The Fund performance is net of management costs and relates to the wholesale class of investment only. If you are an investor in the retail class of investment, you can obtain up to date returns at [advance.com.au](http://advance.com.au). Growth and Distribution returns may not equal the Total Net return due to rounding.
- 3 Allocations may not equal 100% due to rounding.
- 4 Where a negative number is shown, this may indicate the use of derivatives and physical securities to create short positions in the portfolio.
- 5 The credit quality has been determined based on the Standard & Poor's credit rating tiers. Where a negative number is shown, this may indicate the use of derivatives and physical securities to create short positions in the portfolio. Allocations may not equal 100% due to rounding.
- 6 Calculated using weighted average. Where a negative number is shown, this may indicate the use of derivatives and physical securities to create short positions in the portfolio. Specifically, for the reporting of effective duration, negative numbers can also arise when security prices move in the same direction as interest rates where long positions are held in the portfolio.

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